

**REPORT OF THE AUDIT OF THE
JEFFERSON COUNTY
CLERK**

**For The Year Ended
December 31, 2005**



**CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS
www.auditor.ky.gov**

**105 SEA HERO ROAD, SUITE 2
FRANKFORT, KY 40601-5404
TELEPHONE (502) 573-0050
FACSIMILE (502) 573-0067**

EXECUTIVE SUMMARY

AUDIT EXAMINATION OF THE JEFFERSON COUNTY CLERK

For The Year Ended
December 31, 2005

The Auditor of Public Accounts has completed the Jefferson County Clerk's audit for the year ended December 31, 2005. Based upon the audit work performed, the financial statements present fairly in all material respects, the revenues and expenditures of the County Clerk and the revenues, expenditures, and fund balances of the County Clerk's operating fund and county fund with the State Treasurer in conformity with the regulatory basis of accounting.

Financial Condition:

A fee official in counties with a population over 70,000 has two funds established with the state for the deposit of fees collected. Seventy-five percent (75%) of the fees collected are deposited in a County Clerk's operating fund and used for office expenses of the fee official. The remaining twenty-five percent (25%) of fees collected are deposited to the county government fund and paid quarterly to the county government. These funds are closed at the end of each four-year term by paying the balances to the respective county government.

The Jefferson County Clerk had total receipts of \$158,017,334, which was a \$943,901 increase from the prior year. Except for reimbursed expenses in the amount of \$1,436,925, the clerk paid 25% of receipts to the Jefferson County Fiscal Court in the amount of \$3,428,531. This was an increase of \$34,850 from the prior year. In addition, disbursements decreased by \$539,232.

Debt Obligations:

The County Clerk's office is responsible for the following leases:

Item Purchased	Monthly Payment	Term of Agreement	Ending Date	Principal Balance December 31, 2005
Cash Link System-West	Various	60 Months	1/21/2009	\$ 34,692
Cash Link System-Dixie	Various	60 Months	1/21/2009	39,286
Cash Link System-Central	Various	60 Months	2/10/2009	41,269
Cash Link System-Westport	Various	60 Months	3/9/2009	38,400
Cash Link System-Jeffersontown	Various	60 Months	4/13/2009	38,027
Cash Link System-Downtown	Various	60 Months	4/20/2009	38,408
Cash Link System-East	Various	60 Months	5/11/2009	38,886
Totals				<u>\$ 268,968</u>

Deposits:

The County Clerk's deposits were insured and collateralized by bank securities or bonds.

CONTENTS

PAGE

INDEPENDENT AUDITOR'S REPORT	1
STATEMENT OF REVENUES AND EXPENDITURES - REGULATORY BASIS	3
STATEMENT OF REVENUES, EXPENDITURES, AND FUND BALANCES OF THE COUNTY CLERK'S OPERATING FUND AND COUNTY FUND WITH THE STATE TREASURER - REGULATORY BASIS	6
NOTES TO THE FINANCIAL STATEMENTS.....	8
REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS	15



CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Jerry E. Abramson, Mayor, Louisville/Jefferson County Metro Government
Honorable Bobbie Holsclaw, Jefferson County Clerk
Members of the Louisville/Jefferson County Metro Council

Independent Auditor's Report

We have audited the accompanying statement of revenues and expenditures - regulatory basis of the County Clerk of Jefferson County, Kentucky, and the statement of revenues, expenditures, and fund balances of the County Clerk's operating fund and county fund with the State Treasurer - regulatory basis for the year ended December 31, 2005. These financial statements are the responsibility of the County Clerk. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for County Fee Officials issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the County Clerk prepares the financial statements on a regulatory basis of accounting that demonstrates compliance with the laws of Kentucky, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the accompanying financial statement referred to above presents fairly, in all material respects, the revenues, expenditures, and fund balances of the County Clerk's operating fund and county fund with the State Treasurer for the year ended December 31, 2005, in conformity with the regulatory basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued our report dated May 18, 2006 on our consideration of the County Clerk's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.



The Honorable Jerry E. Abramson, Mayor, Louisville/Jefferson County Metro Government
Honorable Bobbie Holsclaw, Jefferson County Clerk
Members of the Louisville/Jefferson County Metro Council

This report is intended solely for the information and use of the County Clerk and members of the Louisville/Jefferson County Metro Council, Kentucky, and the Commonwealth of Kentucky and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Crit Luallen", with a long horizontal flourish extending to the right.

Crit Luallen
Auditor of Public Accounts

Audit fieldwork completed -
May 18, 2006

JEFFERSON COUNTY
BOBBIE HOLSCLOW, COUNTY CLERK
STATEMENT OF REVENUES AND EXPENDITURES - REGULATORY BASIS

For The Year Ended December 31, 2005

Revenues

State Fees For Services		\$	294,649	*
Metro Government			148,457	*
Licenses and Taxes:				
Motor Vehicle-				
Licenses and Transfers	\$	14,066,988		
Usage Tax		61,369,593		
Tangible Personal Property Tax		51,758,301		
Other-				
Marriage Licenses		197,633		
Shelter For Spouse Abuse		52,870		
Deed Transfer Tax		4,234,478		
Delinquent Taxes		19,824,345		
Delinquent Taxes (Reimbursed)		2,741	*	151,506,949
Fees Collected for Services:				
Recordings-				
Deeds, Easements, and Contracts		405,610		
Real Estate Mortgages		839,539		
Chattel Mortgages and Financing Statements		1,316,389		
Powers of Attorney		61,875		
Bail Bonds		4,494		
Tax Liens		203,724		
Extra Pages		1,127,285		
Assignments		53,281		
All Other Recordings		18,524		
Releases		531,448		
Probate		23,360		
Lien Holder Penalties		12,210		
Corporation and Business		69,474		4,667,213
Other:				
Candidate Filing Fees		1,470		
Interest Income		230,105		
Legal Records - Clerk Expense		42		
Legal Records - Clerk Expense (Reimbursed)		359,308	*	
Phone/Fax		60	*	

The accompanying notes are an integral part of the financial statements.

JEFFERSON COUNTY
BOBBIE HOLSCLOW, COUNTY CLERK
STATEMENT OF REVENUES AND EXPENDITURES - REGULATORY BASIS
For The Year Ended December 31, 2005
(Continued)

Revenues (Continued)

Other (Continued)

Notary	\$	378,028	*	
Postage		188,249	*	
Tracing		8,614	*	
Photosat		26,980	*	
Motor Vehicle - Miscellaneous		177,349		
Motor Vehicle - Miscellaneous (Reimbursed)		(382)	*	
Returned Check Fees		13,146	*	
Library		22		
Miscellaneous (Reimbursed)		17,075	*	\$ 1,400,066

Total Revenues 158,017,334

Expenditures

Payments to State:

Motor Vehicle-			
Licenses and Transfers	\$	10,545,874	
Usage Tax		59,524,533	
Tangible Personal Property Tax		19,940,465	
Licenses, Taxes, and Fees-			
Delinquent Tax		1,701,477	
Legal Process Tax		545,835	92,258,184

Payments to Metro Government:

Tangible Personal Property Tax	5,912,629	
Delinquent Tax	4,391,701	
Deed Transfer Tax	4,022,754	14,327,084

Payments to Other Districts:

Tangible Personal Property Tax	23,834,875	
Delinquent Tax	9,429,785	33,264,660

Payments to Sheriff 69,537

Payments to County Attorney 2,692,897

Payment to Library 22

The accompanying notes are an integral part of the financial statements.

JEFFERSON COUNTY
BOBBIE HOLSCLOW, COUNTY CLERK
STATEMENT OF REVENUES AND EXPENDITURES - REGULATORY BASIS
For The Year Ended December 31, 2005
(Continued)

Expenditures (Continued)

Operating Expenditures:

Other Charges-

Bankcard Processing

\$ 253,900

Total Expenditures

\$ 142,866,284

Net Revenues

15,151,050

Payments to State Treasurer:

75% Operating Fund

11,722,519

25% County Fund

3,428,531

15,151,050

Balance Due at Completion of Audit

\$ 0

* Includes reimbursed expenses in the amount of \$1,436,925 for the audit period. See Note 1 of Notes to Financial Statements

The accompanying notes are an integral part of the financial statements.

JEFFERSON COUNTY
BOBBIE HOLSCLOW, COUNTY CLERK
STATEMENT OF REVENUES, EXPENDITURES, AND
FUND BALANCES OF THE COUNTY CLERK'S OPERATING FUND
AND COUNTY FUND WITH THE STATE TREASURER - REGULATORY BASIS

For The Year Ended December 31, 2005

	75% Operating Fund	25% County Fund	Totals
Fund Balance - January 1, 2005	\$ 2,758,144	\$ 272,407	\$ 3,030,551
<u>Revenues</u>			
Fees Paid to State - Operating Funds (75%)	11,722,519		11,722,519
Fees Paid to State - County Funds (25%)		3,428,531	3,428,531
Total Funds Available	14,480,663	3,700,938	18,181,601
<u>Expenditures</u>			
Louisville/Jefferson County Metro Government		3,449,970	3,449,970
Official's Statutory Maximum	95,815		95,815
Incentive Pay	3,194		3,194
County Clerk's Expense Allowance	3,600		3,600
Personal Services-			
Deputies Salaries	7,179,675		7,179,675
Overtime	38,334		38,334
Employee Cash Out	38,396		38,396
Employee Benefits-			
Employer's Share Social Security	506,739		506,739
Employer's Share Retirement	711,211		711,211
Employer's Paid Health Insurance	643,508		643,508
Employee Assistance Program	5,670		5,670
Workers Compensation Insurance	44,819		44,819
Unemployment Insurance	29,939		29,939
Occupancy-			
Telephone	40,865		40,865
Mileage and Gasoline - Delivery	13,367		13,367
Maintenance and Repairs	91,056		91,056
Services-			
Personal Services Contract	184,746		184,746
Security Services	84,895		84,895
Janitorial	37,020		37,020

The accompanying notes are an integral part of the financial statements.

JEFFERSON COUNTY
BOBBIE HOLSCLOW, COUNTY CLERK
STATEMENT OF REVENUES, EXPENDITURES, AND
FUND BALANCES OF THE COUNTY CLERK'S OPERATING FUND
AND COUNTY FUND WITH THE STATE TREASURER - REGULATORY BASIS
For The Year Ended December 31, 2005
(Continued)

	75% Operating Fund	25% County Fund	Totals
<u>Expenditures</u> (Continued)			
Services- (Continued)			
Pager Service	\$ 1,873	\$	\$ 1,873
Printing	50,918		50,918
Temporary Agencies	26,988		26,988
Advertising	3,719		3,719
Supplies-			
Postage	138,870		138,870
Office Expense	194,431		194,431
Rental/Leases-Equipment	71,919		71,919
Meetings	12,928		12,928
Seminars	31,400		31,400
Tuition	10,485		10,485
Other Operating-			
Insurance and Bonds	54,686		54,686
Notary Bonds	887		887
Memberships Dues	17,577		17,577
Subscriptions	9,415		9,415
Capital Outlay-			
Furniture and Fixtures	3,574		3,574
Remolding and Renovations	34,295		34,295
Office Equipment	87,591		87,591
Computer Software	35,056		35,056
Computer Equipment	310,029		310,029
Microfilming	18,151		18,151
Vehicles	17,427		17,427
Total Expenditures	10,885,068	3,449,970	14,335,038
Fund Balance - December 31, 2005	\$ 3,595,595	\$ 250,968	\$ 3,846,563

The accompanying notes are an integral part of the financial statements.

JEFFERSON COUNTY
NOTES TO THE FINANCIAL STATEMENTS

December 31, 2005

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

A fee official uses a fund to report on the results of operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fee official uses a fund for fees to account for activities for which the government desires periodic determination of the excess of revenues over expenditures to facilitate management control, accountability, and compliance with laws.

B. Basis of Accounting

KRS 64.820 directs the fiscal court to collect any amount due from the County Clerk as determined by the audit.

KRS 64.350 establishes that a fee official in counties with a population over 70,000 has two funds with the State Treasurer for the deposit of fees collected. Seventy-five percent (75%) of the fees collected is deposited in a County Clerk's operating fund and used for office expenses of the fee official. The remaining twenty-five percent (25%) of fees collected is deposited to the county fiscal court fund and paid to the fiscal courts, urban-county governments, or consolidated local governments of the respective counties quarterly no later than April 15, July 15, October 15, and January 15. These funds are closed at the end of each official term by paying the balances to the respective county government.

The financial statements have been prepared on a regulatory basis of accounting, which demonstrates compliance with the laws of Kentucky and is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this regulatory basis of accounting, revenues and expenditures are generally recognized when cash is received or disbursed with the exception of accrual of the following items (not all-inclusive), at December 31:

- Interest receivable
- Collection on accounts due from others for 2005 services
- Reimbursements for 2005 activities
- Payments due other governmental entities for December tax and fee collections
- Payroll expenditures incurred but not paid
- Payments due vendors for goods or services provided in 2005

The Attorney General issued a letter which stated that some revenues of the fee official offices could be considered reimbursed expenses. All reimbursed expenses are treated as revenue in the 75 percent fund.

JEFFERSON COUNTY
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2005
(Continued)

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the County Clerk's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

Note 2. Employee Retirement System

The county officials and employees have elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a cost-sharing, multiple-employer, defined benefit pension plan that covers all eligible full-time employees and provides for retirement, disability, and death benefits to plan members.

Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5.0 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 8.48 percent for the first six months and 10.98 percent for the last six months of the year.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65.

Historical trend information pertaining to CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report which is a matter of public record. This report may be obtained by writing the Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, Kentucky 40601-6124, or by telephone at (502) 564-4646.

Note 3. Deposits

The County Clerk maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) as required by KRS 66.480(1)(d). According to KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the County Clerk and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution.

JEFFERSON COUNTY
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2005
(Continued)

Note 3. Deposits (Continued)

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a depository institution failure, the County Clerk's deposits may not be returned. The County Clerk does not have a deposit policy for custodial credit risk but rather follows the requirements of KRS 41.240(4). As of December 31, 2005, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

Note 4. Grant

The County Clerk received a local records microfilming grant from the Kentucky Department for Libraries and Archives in the amount of \$13,540. The unexpended grant balance was \$13,540 as of December 31, 2005.

Note 5. Leases

Commitments to the following lease agreements as of December 31, 2005 were:

Item Purchased	Monthly Payment	Term of Agreement	Ending Date	Principal Balance December 31, 2005
Cash Link System-West	Various	60 Months	1/21/2009	\$ 34,692
Cash Link System-Dixie	Various	60 Months	1/21/2009	39,286
Cash Link System-Central	Various	60 Months	2/10/2009	41,269
Cash Link System-Westport	Various	60 Months	3/9/2009	38,400
Cash Link System-Jeffersontown	Various	60 Months	4/13/2009	38,027
Cash Link System-Downtown	Various	60 Months	4/20/2009	38,408
Cash Link System-East	Various	60 Months	5/11/2009	38,886
Totals				<u>\$ 268,968</u>

Note 6. Going Out of Business Account

This account is used for companies who must post a bond when they have a going out of business sale. After the sale the bond may be released to the company. The account had receipts of \$1,063 and disbursements of \$6,044 for calendar 2005. The account had a balance of \$16,000 as of December 31, 2005.

Note 7. Bankruptcy Account

This account is used for bankruptcy payments from the Chapter 13 Bankruptcy Trustee. The payments from the trustee are for tangible property tax due the state or clerk or for delinquent property tax owed. The account had receipts of \$419 and disbursements of \$146 for 2005. The account had a balance of \$79,489 as of December 31, 2005.

JEFFERSON COUNTY
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2005
(Continued)

Note 8. Mechanic Lien Escrow Account

This account is used to hold a mechanic lien bond. The bond is executed according to KRS 376.100. The bond will be released after a judgment is rendered. The account had receipts of \$25,815 for 2005 and its balance was \$25,815 as of December 31, 2005.

THIS PAGE LEFT BLANK INTENTIONALLY

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS



CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Jerry E. Abramson, Mayor, Louisville/Jefferson County Metro Government
Honorable Bobbie Holsclaw, Jefferson County Clerk
Members of the Louisville/Jefferson County Metro Council

Report On Internal Control Over Financial Reporting And
On Compliance And Other Matters Based On An Audit Of The Financial
Statements Performed In Accordance With Government Auditing Standards

We have audited the financial statements - regulatory basis of the Jefferson County Clerk for the year ended December 31, 2005, and have issued our report thereon dated May 18, 2006. The County Clerk's financial statements are prepared in accordance with a basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Jefferson County Clerk's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance And Other Matters

As part of obtaining reasonable assurance about whether the Jefferson County Clerk's financial statements as of December 31, 2005, are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.



Report On Internal Control Over Financial Reporting And
On Compliance And Other Matters Based On An Audit Of The Financial
Statements Performed In Accordance With Government Auditing Standards
(Continued)

This report is intended solely for the information and use of management and the Kentucky Governor's Office for Local Development and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Crit Luallen", with a long horizontal flourish extending to the right.

Crit Luallen
Auditor of Public Accounts

Audit fieldwork completed -
May 18, 2006

